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## FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 2-24-2004 HB 454  
 SHORT TITLE Municipal Income Tax Distribution SB \_\_\_\_\_  
 ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(5,500.0)	(11,000.0)	Recurring	General Fund
	5,500.0	11,000.0	Recurring	Municipal Governments

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Taxation and Revenue Department (TRD)

### SUMMARY

House Bill 454 reduces the state gross receipts distribution to municipalities from 1.225 percent to 1.0 percent, and provides a new distribution that is equal to 0.275 percent of the municipality's residents' total adjusted gross income reported pursuant to the Income Tax Act two years prior to calendar year or 0.225 percent of the municipalities' gross receipts, whichever is higher. The new distribution would be made monthly.

The Taxation and Revenue Department Secretary and the Executive Director of the Municipal League would be required to report annually to the Revenue Stabilization and Tax Policy committee the annual distributions under the new formula along with recommendations for changes to the formula or revenue sources.

The bill carries an effective date of January 1, 2006.

### FISCAL IMPLICATIONS

TRD estimates that this bill would reduce state general fund revenues by \$11 million on a full year basis, and increase municipal revenues by the equivalent amount. The FY 2006 estimate is half the full year impact because of the January 1, 2006 effective date.

TRD's analysis showing the impact for all the state's municipalities is attached. They caution that the municipal impacts may not be precise because they are estimated based on taxpayers' mailing addresses. All impacts are either positive or zero. This follows from the hold harmless provision that guarantees that all municipalities' distribution will be at least as large as what they would currently receive from the existing 0.225 gross receipts distribution.

### **ADMINISTRATIVE IMPLICATIONS**

TRD submitted the following administrative impact:

The PIT forms would need to change in tax year 2006 to determine the site of residence of income tax payers, which our current forms do not do accurately. This would need to occur by tax year 2006, and would require additional keystrokes for all returns.

### **TECHNICAL ISSUES**

TRD raised this technical issues :

1) In proposed new Section 7-1-6.43(A) the first alternative distribution amount references the amount that would be distributed under Section 7-1-6.4 "...if the percentage used for purposes of that section was two hundred twenty-five thousandths percent..." The problem is that there are two percentages used in Section 7-1-6.4. The section would be clearer if it read "...if the percentage into which the tax rate imposed by Section 7-9-4 is divided in that section were two hundred twenty-five thousandths percent..." 2) Taxpayers often report negative figures for adjusted gross income. In tax year 2003, adjusted gross income in one municipality – Causey--summed to a negative amount. AGI was accordingly treated as zero. 3) The proposal does not specify what revenue source TRD is to use in making the required distribution. The bill should specify the intended source.

BT/yr

**Illustration: Estimated Impacts of HB-454 by Municipality**

Municipality	Estimated FY 05 Dis- tribution	Estimated New Distribution	Change from Estimated Distribution
Alamogordo	6,453,115	6,453,115	-
Albuquerque	162,250,269	162,250,269	-
Angel Fire	886,980	886,980	-
Artesia	3,578,872	3,711,578	132,707
Aztec	1,488,581	1,746,607	258,026
Bayard	173,966	208,082	34,116
Belen	2,462,903	2,660,661	197,758
Bernalillo	1,002,245	1,096,025	93,780
Bloomfield	1,755,213	1,886,790	131,577
Bosque Farms	470,668	639,345	168,677
Capitan	171,159	202,681	31,522
Carlsbad	6,712,869	6,721,917	9,048
Carrizozo	142,886	152,930	10,044
Causey	5,192	5,192	-
Chama	290,087	290,087	-
Cimarron	111,917	135,915	23,998
Clayton	453,536	453,536	-
Cloudcroft	279,559	302,342	22,783
Clovis	7,778,346	7,778,346	-
Columbus	68,250	342,816	274,565
Corona	39,851	45,547	5,696
Corrales	996,904	1,461,242	464,337
Cuba	217,011	368,271	151,260
Deming	2,717,458	2,717,458	-
Des Moines	27,701	147,467	119,766
Dexter	241,774	266,266	24,491
Dora	17,423	34,090	16,667
Eagle Nest	75,323	75,924	601
Edgewood	768,871	1,118,481	349,610
Elephant Butte	142,481	266,935	124,453
Elida	23,001	191,827	168,826
Encino	12,547	16,280	3,733
Espanola	3,724,189	3,724,189	-
Estancia	334,470	334,470	-
Eunice	769,557	769,557	-
Farmington	21,574,123	21,574,123	-
Floyd	42,114	588,001	545,887
Folsom	3,997	8,238	4,241
Fort Sumner	168,190	168,190	-
Gallup	7,609,858	7,609,858	-
Grady	10,637	329,439	318,803
Grants	2,053,310	2,053,310	-
Grenville	1,142	83,424	82,282
Hagerman	145,527	152,536	7,009
Hatch	293,077	301,981	8,904
Hobbs	11,701,096	11,701,096	-
Hope	4,335	240,973	236,638
House	32,511	32,511	-
Hurley	82,463	95,627	13,165
Jal	269,860	288,113	18,253
Jemez Springs	57,669	168,616	110,947

**Illustration: Estimated Impacts of HB-454 by Municipality (continued)**

Municipality	Estimated FY 05 Dis- tribution	Estimated New Distribu- tion	Change from Esti- mated Distribution
Lake Arthur	18,287	70,891	52,604
Las Cruces	24,795,346	24,795,346	-
Las Vegas	3,058,568	3,902,203	843,635
Logan	125,102	293,971	168,868
Lordsburg	498,290	498,290	-
Los Alamos	10,148,286	10,148,286	-
Los Lunas	3,518,378	4,200,184	681,806
Los Ranchos	908,290	1,000,901	92,611
Loving	135,760	147,573	11,814
Lovington	1,921,848	1,921,848	-
Magdalena	110,899	207,259	96,360
Maxwell	15,979	33,353	17,374
Melrose	56,001	71,813	15,812
Mesilla	338,427	492,199	153,772
Milan	765,555	768,148	2,592
Moriarty	873,715	885,682	11,967
Mosquero	12,607	58,192	45,585
Mountainair	119,501	127,194	7,693
Pecos	127,717	190,368	62,651
Portales	1,875,252	1,875,252	-
Questa	134,331	253,136	118,805
Raton	1,420,823	1,420,823	-
Red River	434,271	446,949	12,679
Reserve	51,775	67,895	16,120
Rio Rancho	9,453,025	9,977,494	524,470
Roswell	9,967,234	10,085,237	118,002
Roy	50,524	410,568	360,043
Ruidoso	2,879,630	2,879,630	-
Ruidoso Downs	1,214,674	1,214,674	-
San Jon	96,677	2,317,070	2,220,393
San Ysidro	42,328	45,337	3,009
Santa Clara	39,915	168,312	128,396
Santa Fe	35,778,108	35,778,108	-
Santa Rosa	622,604	622,604	-
Silver City	3,233,281	3,233,281	-
Socorro	1,473,489	1,592,472	118,984
Springer	121,201	132,024	10,823
Sunland Park	1,193,647	1,193,647	-
Taos	4,399,657	4,399,657	-
Taos Ski Valley	390,530	390,530	-
Tatum	180,637	317,959	137,322
Texico	62,098	82,876	20,778
Tijeras	388,589	765,067	376,477
T or C	999,742	1,069,106	69,364
Tucumcari	869,395	967,000	97,605
Tularosa	274,981	373,139	98,158
Vaughn	74,383	102,586	28,203
Virden	1,813	4,776	2,963
Wagon Mound	148,458	148,458	-
Willard	8,647	13,910	5,263
Williamsburg	25,450	43,929	18,480
Totals	376,150,812	387,066,465	10,915,653